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ASCS Background Information

COMMODITY CREDIT CORPORATION

BI No. 2

United States
Department of
Agriculture
Agricultural
Stabilization and
Conservation
Service

July 1982

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Background

The Commodity Credit Corporation (CCC) is Government-owned and operated. The Corporation was created to stabilize, support, and protect farm income and prices. The CCC also helps maintain balanced and adequate supplies of agricultural commodities and helps in their orderly distribution.

The CCC was incorporated October 17, 1933, under a Delaware charter with a capitalization of \$3 million. It was initially managed and operated in close affiliation with the Reconstruction Finance Corporation, which funded its on-going operations. On July 1, 1939, the CCC was transferred to the Department of Agriculture by the President's Reorganization Plan I. It was re-incorporated on July 1, 1948, as a Federal corporation within the Department of Agriculture by the Commodity Credit Corporation Charter Act (62 Stat. 1070; 15 U.S.C.714).

Basic Responsibilities

The CCC Charter Act, as amended, authorizes the Corporation to support prices of agricultural commodities through loans, purchases, payments, and other operations, and makes available materials and facilities required in the production and marketing of agricultural commodities. The CCC Charter also authorizes the sale of agricultural commodities to other Government agencies and to foreign governments, and food donations to domestic, foreign, or international relief agencies. The CCC also assists in the development of new domestic and foreign markets and marketing facilities for agricultural commodities.

Organization

The Corporation is managed by a Board of Directors, subject to the general supervision and direction of the Secretary of Agriculture, who is an ex officio director and chairperson of the Board. The Board consists of seven members, in addition to the Secretary, who are appointed by the President of the United States by and with the advice and consent of the Senate. The members of the Board and the Corporation's officers all are officials of the U.S. Department of Agriculture.

The CCC has no operating personnel. Its price support, storage, reserve and diversion programs, and its domestic acquisition and disposal activities for price-supported commodities, are carried out primarily through the personnel and facilities of the Agricultural Stabilization and Conservation Service (ASCS).

Other USDA Agencies

The Corporation also uses the services of other agencies in the Department of Agriculture to carry out its authorities and responsibilities. The Agricultural Marketing Service (AMS) supervises bonding of federally licensed warehouses and supervises the examination of warehouses used by the CCC. AMS also utilizes various commodities acquired by the CCC under price support operations and is responsible for acquisition of food items for domestic food programs. The Food and Nutrition Service (FNS) is responsible for distribution of food made available through these programs. Export sales (except for tobacco, peanuts, and naval stores) and foreign assistance disposal of CCC-controlled stocks are administered through the General Sales Manager, who is also an Associate Administrator of the Foreign Agricultural Service (FAS).

Officers of the CCC, directly or through officials of designated USDA agencies, maintain liaison with numerous other governmental and private trade operations, and with activities on international markets.

The Corporation's commodity programs must be approved by the Board of Directors and/or the Secretary of Agriculture.

Financing

The Corporation's capital stock of \$100 million is held by the United States. Under present law, up to \$20 billion may be borrowed from the U.S. Treasury to finance operations. An additional \$5 billion is authorized with the approval of Congress.

Each year the CCC submits, in the U.S. Budget, its proposed programs for the coming fiscal year. When approved, this becomes the basic operating plan of the Corporation for that period. However, proposed expenditures reflected in the budget and estimates are not necessarily limits on the amounts spent by CCC.

The CCC files an annual report of the business of the Corporation with the Secretary of Agriculture who forwards a copy to the President for transmittal to Congress.

Support Activities

Commodity support operations, handled primarily through loan, purchase and payment programs, include those for wheat, corn, soybeans, cotton (upland and extra long staple), rice, tobacco, milk and milk products, wool, mohair, barley, oats, sorghum, rye, honey, peanuts, and sugar. Loan rates are designed to keep commodities competitive; and target prices, where applicable, are designed to reflect costs of production.

Through commodity and farm storage facility loans, and the farmer-owned grain reserve programs, farmers are encouraged to store designated commodities when stocks are higher than needed to meet domestic and export requirements, for release in the market when stocks run low and prices are more advantageous to farmers.

Proposals for support programs usually are prepared by ASCS divisions in the form of a docket -- a group of documents covering economic and other factors upon which the proposal is based, total funds required, proposed method of support, conditions of eligibility, basic operating provisions, and other information relative to the proposal.

When a program is approved by the Board of Directors and/or the Secretary of Agriculture, a public announcement, usually in form of a press release, is issued. Detailed operating instructions are sent to personnel in charge of administering the program in Washington and the field, and regulations are published in the Federal Register.

ASCS county office personnel assist the farmer in the preparation of support documents, check the farmer's eligibility for support, and keep the farmer informed of program details.

Inventory
Operations

The Corporation is authorized to transport, store, process, and dispose of various agricultural commodities and their products.

The CCC conducts a program to provide storage adequate to fulfill its program needs by contracting with commercial warehouses to store grain in county, sub-terminal, and terminal locations.

In carrying out support programs, the CCC acquires its inventory in two principal ways:

"Takeover" -- Commodities pledged as collateral for support loans are taken over by the CCC if the commodity is not redeemed by loan repayment time. Loans to producers are nonrecourse in that producers are not obligated to repay their loans or make good any decline in the market price of the commodity they have put up as collateral. Instead, a producer can deliver or forfeit the collateral to the CCC with settlement of the loan made at loan rate on the quantity and quality involved.

Purchases -- Prices of some commodities are supported through purchases of the commodities from producers. The CCC is committed ~~to buy eligible commodities from producers, at the producer's option, at the support level.~~ This method of support is available to producers on a number of commodities on which loans are also available.

Support for milk and the products of milk is carried out through purchases of butter, cheese, and nonfat dry milk from processors and handlers.

There are no CCC support programs for processed products, other than dairy products. Many commodities, such as wheat, corn, oats, and rye are stored in raw, bulk form by the CCC and require considerable processing before they can be used for food.

Commodities and products acquired through purchase either go immediately into available outlets or are placed in the CCC's inventory.

The CCC is authorized to contract for the use of privately owned facilities in carrying out its activities. The CCC also has authority to acquire personal property and to rent or lease office space necessary for its business. But the CCC is prohibited from acquiring real property, or any interest in property except for the purpose of protecting its financial interests and for providing adequate storage to carry out its programs.

Disposal
Operations

The sale, donation, or transfer of CCC commodities is handled by the ASCS Kansas City Commodity Office and its branch offices in Houston, Texas, and Portland, Oregon.

Sales by the commodity offices are made at fixed prices or through competitive bids. Information on CCC-owned commodities available for sale, or barter (if authorized), is contained in an Annual Sales List and a Monthly Sales List issued by USDA at the end of each month and effective for the following month.

In pricing commodities for domestic use, CCC-owned commodities generally are required to be sold at levels above the loan rate, depending on the commodity and other conditions of sale, plus reasonable carrying charges. In addition, higher minimum sale prices are applicable to wheat and feed grains when the farmer-owned grain reserve programs are in effect for such commodities. Congress has established the CCC pricing policy in order to protect CCC's investment in the commodity, to stabilize prices, and in order that there will be no interference with commercial trade channels. Exempted from the minimum price restriction are commodities in danger of loss or waste through deterioration or spoilage, and wool, peanuts and oilseeds, under certain conditions. CCC sales of non-storable commodities such as dairy products also are exempt from the minimum pricing requirements, but are made at prices moderately above the current support level for domestic unrestricted use.

Domestic
Programs

The CCC is authorized, in certain circumstances, to donate food commodities, acquired through support programs or from private stocks, to the Bureau of Indian Affairs, and to Federal, State, and private agencies for use in the United States in school lunch programs, summer camps for children, assistance of needy persons, and in charitable institutions, including hospitals, to the extent needy persons are served. In most instances, arrangements are made to process the commodities into food.

The CCC also provides surplus dairy products to the armed services and to veterans hospitals without charge, except for the cost of packaging, and donates food acquired through support programs to Federal penal and correctional institutions, and to State correctional institutions for minors, except where service is provided on a concession basis.

The Corporation makes available to the Secretary of the Interior grain acquired through support operations to be used as feed for migratory waterfowl for the purpose of preventing crop damage. The Secretary of the Interior also may requisition CCC grain for feeding starving migratory birds, and any State may requisition CCC grain upon the finding of the Secretary of the Interior that resident game birds and other resident wildlife are threatened with starvation.

The CCC makes available its farm commodities or products in areas of acute economic distress, and in connection with certain major disasters, as determined by the President of the United States.

Export Programs

The CCC promotes the export of agricultural commodities and products through sales, payments, guarantee of credit, and other operations. Such stocks may be held in private trade channels as well as those acquired by the Corporation.

The CCC offers its stocks for export sale when privately owned stocks are not sufficient to meet export requirements and world price levels are below the price at which the CCC can sell for unrestricted use. Care is taken to assure that CCC sales will not disturb world price levels. CCC export sales are not subject to the minimum price provisions that apply to domestic sales except with respect to feed grains and wheat for which there is a farmer-owned grain reserve program in effect.

Export sales on long-term credit are financed by the Corporation under the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480), as amended. Export sales of commodities owned by the Corporation may also be made under its charter authority.

Prior to 1981, the Corporation conducted a short-term export credit sales program to encourage exports of agricultural commodities and products. Under the program, the CCC financed, for a period of not to exceed three years, commercial export credit sales by exporters of agricultural commodities obtained either from Corporation inventories or from private stocks.

These commercial transactions are distinguished from the long-term credit contracts involving foreign assistance authorized under Public Law 480.

The CCC was authorized under the Agricultural Trade Act of 1978 (beginning in fiscal year 1979) to finance commercial export sales of U.S. agricultural commodities out of CCC and private stocks on credit terms in excess of three years but not more than ten years. This program has not been funded since 1980. Such sales are intended to develop, expand, or maintain a foreign market, or otherwise improve the capability of the importing nation to purchase and use U.S. agricultural commodities, on a long-term basis. Financing covers costs of freight from the United States to designated points of entry for sales of breeding animals. Repayment is to be in dollars with interest at a rate equal, to the extent practicable, to that charged under the Corporation's short-term export credit sales program. The provisions of cargo preference laws do not apply to these sales.

CCC's export credit guarantee program is designed to expand U.S. agricultural exports by stimulating private U.S. financing of foreign purchases on credit terms of up to three years. The program provides protection to the U.S. exporter or the U.S. financial institutions against nonpayment by the foreign importer's bank for commercial or noncommercial reasons without distinction. The program operates in cases where credit is necessary to increase or maintain U.S. exports to a foreign market and whose private financial institutions would be unwilling to provide the financing without CCC's guarantee. This program is authorized under Section 5 (f) of the Commodity Credit Corporation Charter Act (15 U.S.C. 714 C).

To help develop or expand foreign markets, the Corporation may furnish farm commodities and products for samples or exhibits at international trade fairs for use abroad in testing consumer acceptance and commercial market potentials.

(For further information on export sales and foreign assistance programs, contact the General Sales Manager, Foreign Agricultural Service, U.S. Department of Agriculture, Washington, D.C. 20250.)

